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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Application of WorldCom, Inc. and MCI)
Communications Corporation for Transfer of)
Control of MCI Communications Corporation to)
WorldCom, Inc.)

CC Docket No. 97-211

RECEIVED

MAR 16 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Motion to Accept Late Filed Comments

On Friday, March 13, Bell Atlantic attempted to file its Further Comments in the above referenced proceeding. Although Bell Atlantic's Further Comments were complete by 2:30, there was a miscommunication between Bell Atlantic and its courier. The courier delivering the filing was unable to reach the Commission before the 5:30 filing deadline. She arrived at the Commission at 5:32 and was unable to enter the Secretary's Office.

Bell Atlantic is serving all parties in this proceeding by hand or by fax today and respectfully requests that the Commission accept this pleading into this proceeding.

Respectfully submitted,



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March 16, 1998

Noted, Original rec'd
10-1-98

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Bell Atlantic Further Comments

The Justice Department and the European Union have decided more evidence is needed to assess whether the WorldCom/MCI merger is anticompetitive. "WorldCom, MCI Probe Is Widened," Wall St. J., Mar. 10, 1998, at A3; "Smaller Rivals Question MCI-WorldCom Merger Plan," Washington Post, Mar. 11, 1998, at C11; "2 Corporate Cultures Meet in MCI - Worldcom Merger," N.Y. Times, Mar. 11, 1998, at D1. The Commission should avail itself of this evidence, and make a public interest determination only on the full record. The anticompetitive concerns here are much greater than in other recent mergers in which the Commission reviewed the full record. Applications of NYNEX Corporation, Transferor, and Bell Atlantic Corporation, Transferee, 9 Comm. Reg. (P&F) 187, ¶ 28 (1997) (requiring Bell Atlantic and NYNEX to allow public inspection of Hart-Scott-Rodino documents under protective order).

The commenting parties can be expected to file comprehensive comments only after reviewing the documents the Commission makes available. However, even without the benefit of a full record, two key points warrant immediate discussion.

Report Origin: not
1-1-98

I. Future Additions to Internet Backbone Capacity Alone Will Not Cure the Anticompetitive Effects of the Merger.

WorldCom's main argument for controlling most of the current backbones is that future backbones will be built that will discipline WorldCom's behavior. Worldcom's theory is that "birds in the bush" justify the birds in its hands. But it is not true, even assuming future backbones are built, that these backbones will be able to provide a competitive offset to WorldCom's post-merger market position. To succeed, the future backbones will need to attract customers. However, contrary to WorldCom's assertions, ISPs cannot easily switch to new backbone providers. Over 90% of all ISPs do not have portable address space and must lease space directly from their backbone provider. These ISPs and their customers wishing to switch to a new backbone provider face enormous financial and technical hurdles. First, ISPs who lease address space from more than one provider (are "multihomed") pay a price for shifting traffic from one backbone to another. Even after the ISP shifts the traffic to a second backbone, it must continue to pay for routing services it no longer uses from the first backbone. Thus WorldCom still has the ability to charge for Internet routing even after it no longer does the Internet routing, based on its control of the address space.

Second, switching backbones for most ISPs and their customers requires expensive and time-consuming renumbering of routers, hosts, and other computers. See Bell Atlantic's Petition To Deny at 10-11. These ISPs are totally dependent on leased address space from WorldCom and others; likewise, their large dedicated access business customers do not own their own portable address space. ISPs who try to switch backbones will be forced to renumber, and will face numerous complaints and bad will from their customers who must also renumber. These

realities discourage switching and result in customers being locked in to a particular backbone provider.

We understand that one of WorldCom's economists, Dr. Robert Hall, has argued that if nonportable address space completely prevented movement of ISPs between different backbones, there could be no harm to competition if WorldCom controlled 100% of the existing Internet backbones. This is not a legitimate theory for permitting backbone concentration. Under Dr. Hall's theory, for example, it would have been permissible to permit all providers of 800 service to merge prior to 800 number portability, leaving no competitors whatsoever when portability became available. Similarly, letting WorldCom monopolize the market under Dr. Hall's theory until address space becomes more portable ensures that competition will be slow in developing for years to come.

II. The Merger Decreases Wholesale Long Distance Business Competition.

As Bell Atlantic's Petition To Deny and affidavit by Steve AuBuchon discussed, the current long-distance incumbents have refused resellers access to the features and facilities necessary to provide service to large and medium-sized business customers. AT&T essentially has refused to negotiate any long distance resale agreement with Bell Atlantic, while MCI was willing to negotiate a wholesale agreement that charged a reasonable price only if Bell Atlantic refrained from competing for MCI's customers. Sprint to date has not given Bell Atlantic access to network management, virtual private network, and enhanced 800 features such as automatic call distribution that are necessary to serve many business customers. Furthermore, these sophisticated features take years to develop, so that the collective unwillingness of the Big Three

to resell to Bell Atlantic effectively has foreclosed Bell Atlantic's entry into this lucrative market.

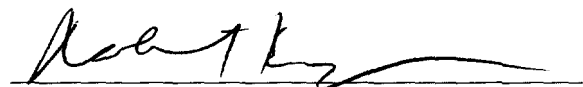
The merger will make this problem worse. WorldCom does not deny that it was developing the high-end business features necessary to compete with the Big Three. This potential source of wholesale high-end business features now is lost. Furthermore, the carriers' willingness to deal has varied inversely with their retail market share; the creation of a larger carrier with greater than 25% retail market share leaves only one facilities-based carrier (Sprint) with any incentive to even negotiate serious resale agreements.

WorldCom makes little attempt to rebut the AuBuchon affidavit or Bell Atlantic's original filing. The construction of more fiber and the addition of more switches by itself will not lower the barriers to entry to the high-end business market. Only a condition requiring WorldCom to make available its long distance capabilities at wholesale prices will offset the loss of wholesale competition caused by the merger.

Conclusion

The Commission should review the evidence being collected by the Department of Justice and the European Union, and make that evidence available to interested parties under protective order.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John Thorne', is written over a horizontal line.

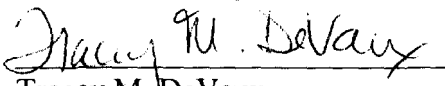
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March 13, 1998

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of March, 1998 a copy of the foregoing "Bell Atlantic Comments" was served by hand on the parties on the attached list.


Tracey M. DeVaux

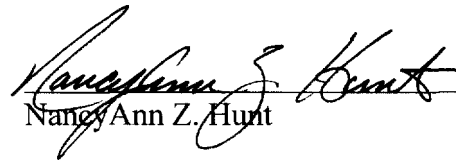
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I hereby certify that on this 16th day of March, 1998 copies of the foregoing "Motion to Accept Late Filed Comments" and "Bell Atlantic Further Comments" were served by hand delivery or by fax on the parties on the attached list.


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